

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 2583 – SB 2554**

January 29, 2010

**SUMMARY OF BILL:** Authorizes up to three officers of a corporation engaged in the construction industry to be exempt from workers' compensation provisions by filing written notice of election to be exempt with the Department of Labor and Workforce Development. Adds independent contractors and subcontractors and all other persons being paid by a construction contractor to the definition of "employee" with respect to workers' compensation. Defines the terms "corporate officer," "partner," and "sole proprietor" with respect to workers' compensation.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$570,000/General Fund/Recurring  
\$42,000/TOSHA/Recurring**

**Increase State Expenditures - \$246,200/One-Time/General Fund  
\$450,200/Recurring/General Fund**

**Assumptions:**

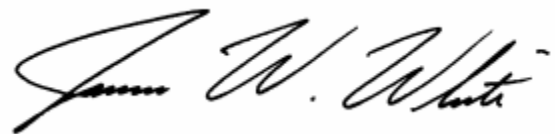
- A fee of \$50 shall be assessed by the Department of Labor and Workforce Development for each request for a certificate of election to be exempt or renewal of election to be exempt.
- The Department of Labor and Workforce Development estimates that there will be 3,000 applications filed annually with a fee of \$50 per application. This will result in an increase in state revenue of \$150,000 to the General Fund.
- An increase in the number of persons obtaining workers' compensation insurance will increase the total amount of premiums paid and as a result will increase the amount of premium taxes collected.
- The Department of Commerce and Insurance estimates that there will be 2,000 people affected by the new definition of employee who will require workers' compensation coverage.
- The average payroll cost per employee is approximately \$35,000 with a 15 percent average premium rate on payrolls.
- The workers' compensation premium tax rate is four percent plus a 0.4 percent surcharge. Premium taxes collected from the surcharge are earmarked to administer the provisions of the Tennessee Occupational Safety and Health Act (TOSHA) in accordance with Tenn. Code Ann. § 56-4-206.

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- The recurring increase in state revenue from premium tax collections is estimated to be approximately \$462,000 (2,000 people x \$35,000 average payroll x 15% x 4.4%).
- The total recurring increase in state revenue is estimated to be approximately \$612,000.
- The amount earmarked to administer TOSHA is estimated to be approximately \$42,000 (\$462,000 x 9.09%). The remainder of \$570,000 will be an increase in the General Fund.
- The Department of Labor and Workforce Development will require approximately \$246,200 in one-time expenditures for computer programming (\$200,000), training (\$7,000), and the creation of seven additional positions (\$39,200).
- An increase in recurring expenditures of \$389,300 will result from the creation of seven positions within the Department of Labor and Workforce Development. The positions are as follows: one workers' compensation specialist 6, one workers' compensation specialist 4, one workers' compensation coordinator, two administrative services assistants II, two administrative assistants III.
- Recurring office costs are estimated to be approximately \$40,700 for office space, travel, computer network and software, telephone lines, and supplies to support seven positions.
- Approximately \$20,200 will be needed for issuing and mailing 6,000 certificates, one certificate to each applicant and one to their insurance carrier.
- The total increase in recurring expenditures is estimated to be approximately \$450,200 (\$389,300 + \$40,700 + \$20,200).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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